



Healthy Wisconsin

The Basics of Reinsurance



Preview

- ❑ What is reinsurance?
- ❑ How does reinsurance save money?
- ❑ What have other states done?
- ❑ What do we need to figure out?



What is reinsurance?

- ❑ Reinsurance covers the extreme high cost of catastrophic medical procedures.
- ❑ By removing some of the highest medical costs from the insurer:
 - risk is reduced,
 - expenses are moderated,
 - premiums can be lower.
- ❑ Reinsurance reduces the risk of bankruptcy due to high-cost medical episodes.



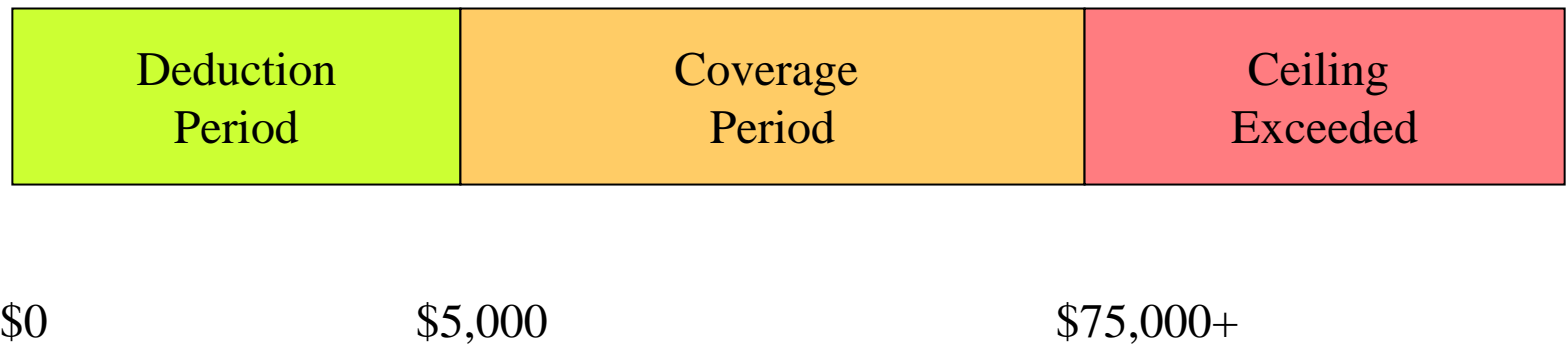
How does reinsurance save consumers money?

- ❑ Insurance companies can insure themselves against the costs of an extreme medical events.
- ❑ Less risk means insurers can offer less expensive health insurance plans.
- ❑ With less expensive policies, more businesses can afford to offer their employees quality coverage.
- ❑ More families and businesses can afford insurance because their costs are more predictable and the premiums are lower.



Threshold for Activating Reinsurance

Example- Based on Healthy New York Model



Reinsurance in Action – Other States

- Currently more than 21 states operate some kind of reinsurance pool.
 - Some have separate group and non-group pools (Idaho and Massachusetts)
 - Some states have totally non-subsidized pools (Connecticut funds only w/ premiums)
 - Some have brand new programs (New Hampshire)
 - Some have older programs that are being revamped (New Mexico started in 1994, revisions in 2005)

Reinsurance in Action –

Healthy New York (Excess-Of-Loss)

- The most prominent example of an existing reinsurance program is *Healthy New York*.
- Reimburses insurers for 90% of claims paid between \$5,000 and \$75,000 on one policy.
- This reduced premiums for individuals by over 50% and businesses up to 30% since 2001.
- The *Healthy New York* product constitutes comprehensive health insurance through a partnership between HMO's and the state's reinsurance program.



Reinsurance in Action – *Arizona's Healthcare Group (Aggregate)*

- ❑ Reduced insurers expenses, allowing state subsidy to be cut in half
- ❑ Administered by State
- ❑ Limited to small businesses
- ❑ Reimbursed based on threshold of medical loss ratios. Threshold set at 86%



Reinsurance Option – *Statewide Catastrophic Risk Pool*

- ❑ Statewide pool to lower costs for citizens and businesses
- ❑ Excess-of-loss plan
- ❑ Distribute costs across all health plans including ERISA plans



Goals for Healthy Wisconsin

- The goals of this program are to:
 - Reduce the cost of health insurance premiums by 30% for individuals and small businesses;
 - Reduce the uninsured rate in Wisconsin by 50% by 2010;
 - Increase the number of businesses that offer their employees affordable, comprehensive health insurance; and
 - Strengthen the private insurance market.



Moving Forward on Healthy Wisconsin

- Established the Healthy Wisconsin Council
 - Explore options for designing a reinsurance product that will meet the goals stated earlier.
 - Deliver a plan to the Governor outlining how to implement the program.
- Get input from businesses (small and large), employees, health care providers, insurance companies and citizens.



Policy Issues to Explore

- ❑ Target Population
- ❑ Structure of the Program
- ❑ Funding
- ❑ Participation